

APPENDIX A2.1.2

ILLUSTRATIVE PROGRAM SPECIFIC EXAMINATION

CHILD AND ADULT CARE FOOD PROGRAM

**SPONSOR OF DAY CARE HOMES
(TIERING METHOD)**

XYZ CHILD DEVELOPMENT, INC.

FISCAL YEAR ENDED JUNE 30, 19X9

Program-Specific Examination

**XYZ Child Development, Inc.
Fiscal Year Ended June 30, 19X9**

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Program-Specific Examination

**XYZ Child Development, Inc.
Fiscal Year Ended June 30, 19X9**

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XYZ Child Development, Inc.

GENERAL INFORMATION

June 30, 19X9

1. Full official name of the agency XYZ Child Development, Inc.
2. Program name and agreement number:

California Department of Education, Child and Adult Care Food Program,
Agreement No.xx-xxxx-x-F
3. Type and Description of agency Tax-exempt, Nonprofit
corporation providing educational programs for the care of children outside their homes.
4. Address of agency headquarters1000 N. Main Street
Smalltown, CA 9xxxx
5. Names and address of Executive Director
and name of Chief Executive Officer, Business
Officer, or Accountant

Executive Director Gina Anonymous
2000 S. Child Drive
Smalltown, CA 9xxxx

Business Officer Joe McNice
6. Telephone number(916) 555-1212
7. Period covered by examination July 1, 19X8 through June 30, 19X9
8. Number of days of agency operation 250 days
9. Scheduled hours of operation each day 7:00 a.m to 6:00 p.m

Accountant's Letterhead

Independent Accountant's Report

Board of Directors
XYZ Child Development, Inc.

We have examined the accompanying statement of claims for reimbursement submitted by **XYZ Child Development, Inc.** under the Child and Adult Care Food Program (CACFP) (Sponsor Agreement No. xx-xxxx-x-F) as summarized in the Statement of Claim for the period from July 1, 19X8 through June 30, 19X9.

Our examination was made in accordance with the *Statement of Standards of Attestation Engagements* established by the American Institute of Certified Public Accountants and with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and included tests of the program and accounting records prescribed by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA), as set forth in its *Audit Guide for Audits of Child and Adult Care Food Program Institutions*, No. 27029-2, dated February 18, 1999, for examinations of this program.

In our opinion, the aforementioned claims present fairly, in all material respects, the number of meals and/or supplements eligible for CACFP reimbursement for the period July 1, 19X8 through June 30, 19X9.

In accordance with *Government Auditing Standards*, we have also issued our report dated September XX, 19X9, on our consideration of **XYZ Child Development, Inc.'s** internal control over financial reporting and our tests of CACFP compliance with certain provisions of laws, regulations, contracts and grants.

Bean, Bean & Counter
Certified Public Accountants

September XX, 19X9

XYZ Child Development, Inc.

STATEMENT OF CLAIM

Agreement No.: xx-xxxx-x-F
19X9 Child and Adult Care Food Program
For the Period July 1, 19X8 to June 30, 19X9

Reimbursement per Examination (Supported by Exhibits A - I as needed)	\$ 2,008,892
Program Reimbursements Claims and Received*	<u>\$ 3,821,397</u>
Amount Due From Agency	<u>\$ 1,812,505</u>

Footnotes:

* Actual reimbursements received from administering agency should also include administrative reimbursement received for FDCH's.

Should also include income that accrued to the program.

A footnote should reflect if the CACFP claims for reimbursement have been paid or not.

Should also include revised claims.

Auditor's Letterhead

Independent Accountant' s Report on Supplementary Information -

Board of Directors
XYZ Child Development, Inc.

We have examined the accompanying statement of claims for reimbursement submitted by **XYZ Child Development, Inc.** under the Child and Adult Care Food Program (CACFP) (Sponsor Agreement No. xx-xxxx-x-F) as summarized in the Statement of Claim for the period from July 1, 19X8 through June 30, 19X9, and have issued our report dated September XX, 19X9.

We conducted our examination in accordance with the *Statement of Standards of Attestation Engagements* established by the American Institute of Certified Public Accountants and with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and included tests of the program and accounting records prescribed by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA), as set forth in its *Audit Guide for Audits of Child and Adult Care Food Program Institutions*, No. 27029-2, dated February 18, 1999, for examinations of this program.

Our examination was made for the purpose of forming an opinion on the aforementioned CACFP claims of **XYZ Child Development, Inc.** taken as a whole. The accompanying supplementary information in Exhibits A through J is presented on pages A2.1.2-5 through A2.1.2-17 for purposes of additional analysis and is not a required part of the Statement of Claim. The information in those exhibits has been subjected to the examination procedures applied in the examination of the Statement of Claim and, in our opinion, is fairly stated in all material respects, in relation to the CACFP claims for reimbursement as summarized in the Statement of Claim taken as a whole.

Bean, Bean & Counter
Certified Public Accountants

September XX, 19X9

Exhibit A

XYZ CHILD DEVELOPMENT, INC.
CHILD AND ADULT CARE FOOD PROGRAM – CHILD CARE CENTERS
SUMMARY OF CLAIM
FOR THE PERIOD JULY 1, 1998 TO JUNE 30, 1999

Amount Reimbursable from the General Fund:			\$649,660.14
Less General Fund Payments to Date:			<u>687,649.53</u>
General Fund Reimbursement Variance (Overpaid):			(\$37,989.39)
	<u>Allowed</u>	<u>Paid</u>	
Cash-In-Lieu Reimbursement:	<u>\$35,894.86</u>	<u>\$36,225.41</u>	<u>(330.55)</u>
Total General Fund Reimbursement Variance (Overpaid):			(\$38,319.94)
	<u>Allowed</u>	<u>Paid</u>	
State Meal Compensation	<u>\$47,440.69</u>	<u>50,569.00</u>	<u>(3,128.31)</u>
Total Program Reimbursement (State and Federal)			
(Overpaid) Refund Due to the State			<u>(\$41,448.25)</u>

XYZ CHILD DEVELOPMENT, INC.
CHILD AND ADULT CARE FOOD PROGRAM – DAY CARE HOMES
SCHEDULE OF REPORTED, ADJUSTED,
ALLOWED MEALS, SITES AND EARNED REIMBURSEMENT
FOR THE PERIOD JULY 1, 1998 TO JUNE 30, 1999

	<u>Reported</u>	<u>Adjusted* Meals</u>	<u>Allowed</u>	<u>Food Service Rates**</u>	<u>Revenue Recognized</u>	<u>Audit Adjustment</u>	<u>Earned Reimbursement</u>
<u>FEDERAL REIMBURSEMENT</u>							
<u>Meal compensation – Tier I</u>							
Breakfast	769,440	(769,440)	0	\$0.9000	\$692,296.00	(\$692,496.00)	\$0
Lunch	574,150	(574,150)	0	1.5025	862,660.38	(862,660.38)	0
Supplement	1,538,971	(1,538,971)	0	0.4900	754,095.79	(754,095.79)	0
Supper	460,158	(460,158)	0	1.5025	691,387.40	(691,387.40)	0
Federal Meal Compensation					<u>\$3,000,639.57</u>	<u>(\$3,000,639.57)</u>	<u>\$0</u>
	<u>Reported</u>	<u>Adjusted* Meals</u>	<u>Allowed</u>	<u>Food Service Rates**</u>	<u>Revenue Recognized</u>	<u>Audit Adjustment</u>	<u>Earned Reimbursement</u>
<u>FEDERAL REIMBURSEMENT</u>							
<u>Meal compensation – Tier II</u>							
Breakfast	0	769,440	769,440	0.3400	\$0	\$261,609.60	\$261,609.60
Lunch	0	573,750	573,750	0.8525	0	489,121.88	489,121.88
Supplement	0	1,538,971	1,538,971	0.1300	0	200,066.23	200,066.23
Supper	0	459,758	459,758	0.8525	0	391,943.70	391,943.70
Subtotal					<u>\$0</u>	<u>\$1,342,741.41</u>	<u>\$1,342,741.41</u>
Total Federal Meal Compensation					<u>\$3,000,639.57</u>	<u>(\$1,657,898.16)</u>	<u>\$1,342,741.41</u>
Cash-in-Lieu	1,034,308	(800)	1,033,508	0.1475	152,560.43	(118.00)	152,442.43
Total Allowable Administrative Reimbursements					<u>533,670.00</u>	<u>(154,449.23)</u>	<u>379,220.77</u>
Total Federal Reimbursement					<u>\$3,686,870.00</u>	<u>(\$1,812,465.39)</u>	<u>\$1,874,404.61</u>
STATE MEAL COMPENSATION	1,007,693	(300)	1,007,393	0.1335	<u>\$134,527.02</u>	<u>(\$40.05)</u>	<u>\$1,874,404.61</u>
Total Federal and State Reimbursement: Overpaid-Refund Due the State						<u>(\$1,812,505.44)</u>	

Footnote:

*Adjusted meals are the result of the following actions: reclassifying enrolled children from Tier I to Tier II, attendance and meal count errors and meal production noncompliance.

**Refer to either SECTION 700 or the FNS Regional Office to determine the appropriate reimbursement rate for the audit period. The total administrative cost is limed to actual cost pertaining only to the home or the amount determined by multiplying the number of homes by the appropriate rate or the amount approved by FNS Regional Office in the agency's budget.

XYZ CHILD DEVELOPMENT, INC.
CHILD AND ADULT CARE FOOD PROGRAM – DAY CARE HOMES
SCHEDULE OF REPORTED, ADJUSTED, AND ALLOWED MEALS AND HOMES
FOR THE PERIOD JULY 1, 1998 TO JUNE 30, 1999

<u>TIER I</u>			<u>TIER II</u>			
<u>July 1, 1998 to July 31, 1998</u>						
<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	40,987	(40,987)	0	0	40,987	40,987
Lunch	30,987	(30,987)	0	0	30,587	30,587
Supplement	81,974	(81,974)	0	0	81,974	81,974
Supper	51,288	(51,288)	0	0	50,888	50,888
<u>Homes</u>	887	0	887			

<u>August 1, 1998 to August 31, 1998</u>						
<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	<u>41,236</u>	<u>(41,236)</u>	<u>0</u>	<u>0</u>	<u>41,236</u>	<u>41,236</u>
Lunch	<u>51,000</u>	<u>(51,000)</u>	<u>0</u>	<u>0</u>	<u>51,000</u>	<u>51,000</u>
Supplement	<u>82,472</u>	<u>(82,472)</u>	<u>0</u>	<u>0</u>	<u>82,472</u>	<u>82,472</u>
Supper	<u>21,236</u>	<u>(21,236)</u>	<u>0</u>	<u>0</u>	<u>21,236</u>	<u>21,236</u>
<u>Homes</u>	891	0	891			

<u>September 1, 1998 to September 30, 1998</u>						
<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	48,090	(48,090)	0	0	48,090	48,090
Lunch	32,500	(32,500)	0	0	32,500	32,500
Supplement	96,180	(96,180)	0	0	96,180	96,180
Supper	58,010	(58,010)	0	0	58,010	58,010
<u>Homes</u>	880	0	880			

Footnote:

*Adjusted meals are the result of the following actions: reclassifying enrolled children from Tier I to Tier II, attendance and meal count errors and meal production noncompliance.

XYZ CHILD DEVELOPMENT, INC.
CHILD AND ADULT CARE FOOD PROGRAM – DAY CARE HOMES
SCHEDULE OF REPORTED, ADJUSTED, AND ALLOWED MEALS AND HOMES
FOR THE PERIOD JULY 1, 1998 TO JUNE 30, 1999

<u>TIER I</u>			<u>TIER II</u>			
<u>October 1, 1998 to October 31, 1998</u>						
<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	<u>56,908</u>	<u>(56,908)</u>	<u>0</u>	<u>0</u>	<u>56,908</u>	<u>56,908</u>
Lunch	<u>46,500</u>	<u>(46,500)</u>	<u>0</u>	<u>0</u>	<u>46,500</u>	<u>46,500</u>
Supplement	<u>113,816</u>	<u>(113,816)</u>	<u>0</u>	<u>0</u>	<u>113,816</u>	<u>113,816</u>
Supper	<u>43,557</u>	<u>(43,557)</u>	<u>0</u>	<u>0</u>	<u>43,557</u>	<u>43,557</u>
<u>Homes</u>	<u>892</u>	<u>0</u>	<u>892</u>			

<u>November 1, 1998 to November 30, 1998</u>						
<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	60,987	(60,987)	0	0	60,987	60,987
Lunch	30,888	(30,888)	0	0	30,888	30,888
Supplement	121,974	(121,974)	0	0	121,974	121,974
Supper	48,567	(48,567)	0	0	48,567	48,567
<u>Homes</u>	910	0	910			

<u>December 1, 1998 to December 31, 1998</u>						
<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	<u>45,678</u>	<u>(45,678)</u>	<u>0</u>	<u>0</u>	<u>45,678</u>	<u>45,678</u>
Lunch	<u>38,978</u>	<u>(38,978)</u>	<u>0</u>	<u>0</u>	<u>38,978</u>	<u>38,978</u>
Supplement	<u>91,356</u>	<u>(91,356)</u>	<u>0</u>	<u>0</u>	<u>91,356</u>	<u>91,356</u>
Supper	<u>32,678</u>	<u>(32,678)</u>	<u>0</u>	<u>0</u>	<u>32,678</u>	<u>32,678</u>
Homes	924	0	924			

Footnote:

*Adjusted meals are the result of the following actions: reclassifying enrolled children from Tier I to Tier II, attendance and meal count errors and meal production noncompliance.

XYZ CHILD DEVELOPMENT, INC.
CHILD AND ADULT CARE FOOD PROGRAM – DAY CARE HOMES
SCHEDULE OF REPORTED, ADJUSTED, AND ALLOWED MEALS AND HOMES
FOR THE PERIOD JULY 1, 1998 TO JUNE 30, 1999

TIER I**TIER II**

January 1, 1999 to January 31, 1999

<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	67,890	(67,890)	0	0	67,890	67,890
Lunch	49,876	(49,876)	0	0	49,876	49,876
Supplement	135,780	(135,780)	0	0	135,780	135,780
Supper	27,654	(27,654)	0	0	27,654	27,654
<u>Homes</u>	<u>931</u>	<u>0</u>	<u>931</u>			

February 1, 1999 to February 28, 1999

<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	75,098	(75,098)	0	0	75,098	75,098
Lunch	52,326	(52,326)	0	0	53,326	52,326
Supplement	150,196	(150,196)	0	0	150,196	150,196
Supper	26,543	(26,543)	0	0	26,543	26,543
<u>Homes</u>	<u>942</u>	<u>0</u>	<u>942</u>			

March 1, 1999 to March 31, 1999

<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	78,907	(78,907)	0	0	78,907	78,907
Lunch	58,765	(58,765)	0	0	58,765	58,765
Supplement	157,814	(157,814)	0	0	157,814	157,814
Supper	35,789	(35,789)	0	0	35,789	35,789
<u>Homes</u>	<u>941</u>	<u>0</u>	<u>941</u>			

Footnote:

*Adjusted meals are the result of the following actions: reclassifying enrolled children from Tier I to Tier II, attendance and meal count errors and meal production noncompliance.

XYZ CHILD DEVELOPMENT, INC.
 CHILD AND ADULT CARE FOOD PROGRAM – DAY CARE HOMES
 SCHEDULE OF REPORTED, ADJUSTED, AND ALLOWED MEALS AND HOMES
 FOR THE PERIOD JULY 1, 1998 TO JUNE 30, 1999

<u>TIER I</u>			<u>TIER II</u>			
<u>April 1, 1999 to April 30, 1999</u>						
<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	<u>79,987</u>	<u>79,987</u>	<u>0</u>	<u>0</u>	<u>79,987</u>	<u>79,987</u>
Lunch	<u>58,065</u>	<u>58,065</u>	<u>0</u>	<u>0</u>	<u>58,065</u>	<u>58,065</u>
Supplement	<u>159,975</u>	<u>159,975</u>	<u>0</u>	<u>0</u>	<u>159,975</u>	<u>159,975</u>
Supper	<u>35,001</u>	<u>35,001</u>	<u>0</u>	<u>0</u>	<u>35,001</u>	<u>35,001</u>
Homes	915	0	915			

<u>May 1, 1999 to May 31, 1999</u>						
<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	<u>80,895</u>	<u>(80,895)</u>	<u>0</u>	<u>0</u>	<u>80,895</u>	<u>80,895</u>
Lunch	<u>59,876</u>	<u>(59,876)</u>	<u>0</u>	<u>0</u>	<u>59,876</u>	<u>59,876</u>
Supplement	<u>161,880</u>	<u>(161,880)</u>	<u>0</u>	<u>0</u>	<u>161,880</u>	<u>161,880</u>
Supper	<u>36,547</u>	<u>(36,547)</u>	<u>0</u>	<u>0</u>	<u>36,547</u>	<u>36,547</u>
<u>Homes</u>	<u>910</u>	<u>0</u>	<u>910</u>			

<u>June 1, 1999 to June 30, 1999</u>						
<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	<u>92,777</u>	<u>(92,777)</u>	<u>0</u>	<u>0</u>	<u>92,777</u>	<u>92,777</u>
Lunch	<u>64,389</u>	<u>(64,389)</u>	<u>0</u>	<u>0</u>	<u>64,389</u>	<u>64,389</u>
Supplement	<u>185,554</u>	<u>(185,554)</u>	<u>0</u>	<u>0</u>	<u>185,554</u>	<u>185,554</u>
Supper	<u>43,288</u>	<u>(43,288)</u>	<u>0</u>	<u>0</u>	<u>43,288</u>	<u>43,288</u>
<u>Homes</u>	<u>903</u>	<u>0</u>	<u>903</u>			

Footnote:

*Adjusted meals are the result of the following actions: reclassifying enrolled children from Tier I to Tier II, attendance and meal count errors, and meal production noncompliance.

XYZ CHILD DEVELOPMENT, INC.
CHILD AND ADULT CARE FOOD PROGRAM – DAY CARE HOMES
DETERMINATION OF ALLOWABLE ADMINISTRATIVE REIMBURSEMENT
FOR THE PERIOD JULY 1, 1998 TO JUNE 30, 1999

A. Reimbursement Rates Calculation

<u>Number of Homes</u>	<u>Reported Homes</u>	<u>Adjusted Homes</u>	<u>Allowed Homes</u>	<u>Day Care Home Adm. Payment Rates</u>	<u>Total</u>
0-50	600	0	600	\$76	\$45,600.00
51-200	1,800	0	1,800	58	104,400.00
201-1000	8,526	0	8,526	45	383,670.00
>1000	0	0	0	40	0.00
Total Homes Times Applicable Rates					<u>\$533,670.00</u>

B. Net Administrative Cost Allowed (From Schedule of Allowed Administrative Cost

\$379,220.77

C. Total Approved Administrative Budget

\$537,996.00

<u>(1) Total Allowable Reimbursements Fed. Meal & State Meal</u>	<u>(2) Lesser of Costs, Budget or Homes (A, B or C)</u>	<u>Sum of Column (1) and 2)</u>	<u>Applicable Rates</u>	
\$1,629,670.81	\$379,220.77	\$2,008,891.58	X	30%
				<u>\$602,667.47</u>

E. Total Allowable Administrative Reimbursement (Lesser of line A, B, C or D)

\$379,220.77

- (1) Exception of State Meal Allowance (SMA exceeding the threshold maximum:
Total Allowable Reimbursements include SMA funds retained for administrative expenditures.

A2.1.2-11

Exhibit D

XYZ CHILD DEVELOPMENT, INC.
CHILD AND ADULT CARE FOOD PROGRAM – DAY CARE HOMES
SCHEDULE OF REPROATED, ADJUSTED AND
ALLOWED ADMINISTRATIVE INCOME
FOR THE PERIOD OF JULY 1, 1998 TO JUNE 30, 1999

<u>Period</u>	<u>Reported*</u>	<u>Adjusted</u>	<u>Allowed</u>
July	\$2,149.92	\$(11.66) ⁽¹⁾	\$2,138.26
August	2,770.54	1,030.00 ⁽³⁾	3,800.54
September	2,420.74	1,878.15 ⁽³⁾	4,298.89
October	3,106.12	0.00	3,106.12
November	2,759.69	5,000.00 ⁽³⁾	7,759.69
December	2,542.85	0.00	2,542.85
January	3,537.40	2,000.00 ⁽³⁾	5,537.40
February	3,827.50	0.00	3,827.50
March	4,135.32	564.30 ⁽³⁾	4,699.62
April	4,146.74	0.00	4,146.74
May	4,228.41	0.00	4,228.42
June	4,720.85	111.66 ⁽²⁾	4,832.51
	<u>\$40,346.08</u>	<u>\$10,572.45</u>	<u>\$50,918.53</u>

Footnotes:

*Retained 30% of State Meal Compensation

(1) Disallowed breakfast and lunch meals

(2) Interest income earned

(3) Other income

XYZ CHILD DEVELOPMENT, INC.
CHILD AND ADULT CARE FOOD PROGRAM – DAY CARE HOMES
DETERMINATION OF REPORTED ADJUSTED AND ALLOWED COST
FOR THE PERIOD JULY 1, 1998 TO JUNE 30, 1999

Summary of Reported and Allowed Administrative Costs

<u>Period</u>	<u>Reported Cost</u>	<u>Audit Adjustments</u>	<u>Budget Deficit Adjustments</u>	<u>Allowed Cost</u>
July	\$37,926.00	(\$3,845.98)	(\$6,458.67))	\$27,621.35
August	43,554.00	(3,869.23)	(6,458.67)	33,226.10
September	43,574.00	(5,794.60)	(6,458.67)	31,320.73
October	64,456.00	(5,918.10)	(6,458.67)	53,079.23
November	32,073.00	(3,215.31)	(6,458.67)	22,399.02
December	39,961.00	(3,461.26)	(6,458.67)	30,041.07
January	47,136.00	(4,537.71)	(6,458.67)	36,139.62
February	42,357.00	(3,273.06)	(6,458.67)	32,625.27
March	40,845.00	(3,457.08)	(6,458.67)	30,929.25
April	39,799.00	(3,680.82)	(6,458.67)	29,659.25
May	51,673.00	(3,304.65)	(6,458.67)	41,909.68
July	70,665.00	3,017.86)	(5,458.67)	61,188.47
Totals	<u>\$554,019.00</u>	<u>(\$47,375.66)</u>	<u>(\$76,504.00) *</u>	<u>\$430,139.30 *</u>
State Meal Compensation Funds Retained by Sponsor (0 to 30%)				(40,346.08)
Other Income				(10,572.45)
Net Administrative Costs				<u>\$379,220.77</u>

Note:

*Includes rounding adjustment .04.

**Includes rounding adjustment (.04)

A2.1.2-13

Exhibit F

Exhibit G

XYZ CHILD DEVELOPMENT, INC.
CHILD AND ADULT CARE FOOD PROGRAM – DAY CARE HOMES
FOR THE PERIOD JULY 1, 1998 TO JUNE 30, 1999

Determination of Budget Deficit (Adjustments)				
Category	Approved Budget	Actual Cost	Budget Deficit	Budget Savings
Administrative labor				
Salaries	\$276,978.00	\$309,556.00	\$32,578.00	\$0.00
Benefits	90,624.00	31,854.00	0.00	58,770.00
Administrative Supplies				
Equipment purchased under \$5,000	300.00	15,649.00	15,349.00	0.00
Equipment purchased \$5,000 and over	11,954.00	9,243.00	0.00	2,711.00
Office supplies	0.00	0.00	0.00	0.00
Postage	29,980.00	34,223.00	4243.00	0.00
Printing	7,680.00	9,169.00	1,489.00	0.00
Administrative Services				
Office Space	37,200.00	37,200.00	0.00	0.00
Utilities and communication	9,120.00	12,012.00	2,892.00	0.00
Vehicle Lease	12,720.00	13,284.00	564.00	0.00
Equipment Lease	0.00	0.00	0.00	0.00
Contract Services	0.00	0.00	0.00	0.00
Training	0.00	0.00	0.00	0.00
Advertising	0.00	0.00	0.00	0.00
Dues, Subscriptions, Memberships	0.00	0.00	0.00	0.00
Insurance Premiums	0.00	0.00	0.00	0.00
License Related Expenses	0.00	0.00	0.00	0.00
Administrative Expenses				
Program Activities	0.00	0.00	0.00	0.00
In-State Workshops	48,240.00	55,161.00	6,921.00	0.00
Out-of-State Conference	0.00	0.00	0.00	0.00
Miscellaneous Expenses				
Other	13,200.00	26,668.00	13,468.00	0.00
Total	\$537,996.00	554,019.00	\$77,504.00	\$61,481.00

XYZ CHILD DEVELOPMENT, INC.
 DETERMINATION OF ALLOWED PROVIDER PAYMENTS
 (FEDERAL AND STATE)
FOR THE PERIOD OF JULY 1, 1998 TO JUNE 30, 1999

<u>Period</u>	<u>Allowed Federal Funds Owed Providers</u>	<u>Allowed State Funds Owed Providers</u>	<u>Total Allowed Funds Owed Providers</u>	<u>Total Funds Paid Providers</u>	<u>Total Funds Underpaid (Overpaid)</u>
July	\$106,067.20	\$5,016.49	\$111,083.69	\$217,853.79	(\$106,770.10)
August	96,977.60	6,464.59	103,442.19	203,177.67	(99,735.48)
September	119,364.00	5,648.40	125,012.40	245,399.10	(120,386.70)
October	124,201.80	7,247.61	131,449.41	262,828.70	(131,379.29)
November	116,047.20	6,439.27	122,486.47	252,195.58	(129,709.11)
December	99,062.80	5,933.33	104,996.13	210,040.37	(105,044.24)
January	118,264.00	8,253.92	126,517.92	263,811.62	(137,293.70)
February	123,927.80	8,930.83	132,858.63	280,248.92	(147,390.29)
March	141,898.20	9,649.09	151,547.29	314,008.35	(162,461.06)
April	141,058.33	9,675.72	150,734.05	313,610.67	(162,876.62)
May	144,971.70	9,866.29	154,837.99	321,090.94	(166,252.95)
June	163,343.20	11,015.37	174,358.57	363,103.18	(188,744.61)
Totals	<u>\$1,495,183.83</u>	<u>\$94,140.91</u>	<u>\$1,589,324.74</u>	<u>\$3,247,368.89</u>	<u>(\$1,658,044.15)</u>

Footnotes:

*Overpayment is attributed to funds paid day care home providers based on Tier I instead of Tier II meals, attendance and meal count errors and meal production noncompliance.

XYZ Child Development, Inc.

Statement of Monetary Claims and Questioned Costs

Agreement No.: xx-xxxx-x-A

19X9 Child and Adult Care Food Program
For the Period July 1, 19X8 to June 30, 19X9

<u>Detail No.:</u>	<u>Description of Exception</u>	<u>Amount</u>
1	Finding X9-1	\$
2	Finding X9-3	\$
3		
4		
Total to be Collected from Agency/Reimbursed to Agency:		\$

XYZ Child Development, Inc.

Notes to the Schedules

Agreement No.: xx-xxxx-x-A

19X9 Child and Adult Care Food Program

NOTE 1: GENERAL INFORMATION

XYZ Child Development, Inc.(the Agency) was incorporated as a non-profit corporation in 1967 to provide educational programs for the care of children outside their homes. The Agency has been granted tax-exempt status by the Internal Revenue Service under Section 501©(3) and California Franchise Tax Board under Section 23701(d). The Agency is funded by the California Department of Education (CDE). Also, the Agency receives funds from private donations. This report includes an opinion only on the activity of the CACFP program. The source of funding for the CACFP program is the United States Department of Agriculture and CDE.

NOTE 2: CLAIM PREPARATION**Fixed Percentage Claiming Method:**

The Fixed Percentage Claiming Method requires each Agency to accurately categorize and report the enrollment data by eligibility category (i.e. free, reduced-price and base) at least one time of the fiscal year. The percentages established become the Agency's "fixed" percentage for the fiscal year. Meals claimed are reimbursed based on the calculated fixed percentages for each category. The fixed percentages remain in effect for the entire fiscal year unless the Agency chooses to submit new enrollment data in order to adjust the percentages and maximize reimbursement. However, an agency must submit new enrollment data during the year if (1) the agency adds a new site, (2) the average daily participation for the claim month exceeds the total enrollment previously reported, or (3) to correct a reporting error.

The percentage for each category becomes the Agency's "fixed" percentage used to determine reimbursement for the fiscal year. Meals claimed are reimbursed based on the calculated "fixed" percentages for each category. The percentages may be adjusted by the Agency to either accurately categorize or submit new enrollment data into free, reduced price, and base rate in order to maximize reimbursement should new facilities be added or others deleted.

Accountant's Letterhead

**Report on Compliance and on Internal Control Over Financial Reporting
Based on an Examination of the Statement of Claim Performed in
Accordance With Government Auditing and Attestation Standards**

Board of Directors
XYZ Child Development, Inc.

We have examined the accompanying statement of claims for reimbursement submitted by **XYZ Child Development, Inc.** under the Child and Adult Care Food Program (CACFP) (Sponsor Agreement No. xx-xxxx-x-F) as summarized in the Statement of Claim for the period from July 1, 19X8 through June 30, 19X9 and have issued our report thereon dated September XX, 19X9. We conducted our examination in accordance with the *Statement of Standards of Attestation Engagements* established by the American Institute of Certified Public Accountants and with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and included tests of the program and accounting records prescribed by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA), as set forth in its *Audit Guide for Audits of Child and Adult Care Food Program Institutions*, No. 27029-2, dated February 18, 1999, for examinations of this program.

Compliance

As part of obtaining reasonable assurance about whether the **XYZ Child Development, Inc.'s** statement of CACFP claims for reimbursement as summarized in the Statement of Claim is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of material noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as items, X9-1.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered **XYZ Child Development, Inc.'s** internal control over financial reporting in order to determine our examination procedures for the purpose of expressing our opinion on the Statement of Claim and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect **XYZ Child Development, Inc.'s** ability to record, process, summarize and report financial data consistent with the assertions of management in the Statement of Claim. A reportable condition is described in the accompanying schedule of findings and questioned costs as item, X9-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Statement of Claim being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting and compliance that we have reported to management of **XYZ Child Development, Inc.** in a separate letter dated September XX, 19X9.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Bean, Bean & Counter
Certified Public Accountants

September XX, 19X9

Accountant's Letterhead

**Independent Accountant's Report on Compliance With Requirements Applicable
to the Federal Program and on Internal Control Over Compliance and
Financial Reporting in Accordance With the Program-Specific Audit Option
Under OMB Circular A-133 and Attestation Standards Made as a Part
of a Program-Specific Examination of the Statement of Claim**

Board of Directors
XYZ Child Development, Inc.

Compliance

We have examined management's assertion about **XYZ Child Development, Inc.'s** compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to the Child and Adult Care Food Program (CACFP) included in the accompanying statement of claims for reimbursement submitted by the Sponsor in Agreement No. xx-xxxx-x-F as summarized in the Statement of Claim is adequate to meet the criteria established by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA), as set forth in its *Audit Guide for Audits of Child and Adult Care Food Program Institutions*, No. 27029-2, dated February 18, 1999. Compliance with requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of **XYZ Child Development, Inc.'s** management. Our responsibility is to express an opinion on **XYZ Child Development, Inc.'s** compliance based on our examination.

We conducted our examination of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Statement of Standards of Attestation Engagements* established by the American Institute of Certified Public Accountants and included tests of the program and accounting records prescribed by the *Audit Guide for Audits of Child and Adult Care Food Program Institutions*, No. 27029-2, issued by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA) for examinations of this program. Those standards and OMB Circular A-133 require that we plan and perform the examination to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the CACFP occurred. An examination includes testing evidence about **XYZ Child Development, Inc.'s** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of **XYZ Child Development, Inc.'s** compliance with those requirements

In our opinion, **XYZ Child Development, Inc. 's** assertion that it complied with the requirements referred to above that are applicable to its CACFP for the year ended June 30, 19X9, is fairly stated , in all material respects. However, the results of our examination procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings, and Questioned Costs as item X9-3.

Internal Control Over Compliance

The management of **XYZ Child Development, Inc.** is responsible for establishing and maintaining effective control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our examination, we considered **XYZ Child Development, Inc.'s** internal control over compliance with requirements that could have a direct and material effect on its CACFP in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect **XYZ Child Development, Inc.'s** ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item X9-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness.

We have also identified immaterial instances of noncompliance and internal control weaknesses that we have reported to the management of **XYZ Child Development, Inc.** in a separate letter dated September XX, 19X9.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Bean, Bean & Counter
Certified Public Accountants

September XX, 19X9

XYZ Child Development, Inc.
Schedule of Findings, Questioned Costs and Recommendations

Year Ended June 30, 19X9

A. Summary of Accountant's Results

I. Statement of Claim Examination

1. The Independent Accountant's Report on the Statement of Claim of XYZ Child Development, Inc. expressed an unqualified opinion.
2. Internal Control over Financial Reporting:
 - a. Reportable conditions were disclosed in the examination of the Statement of Claim.
 - b. One of the reportable conditions, in 2a above, was considered to be a material weakness.
 - c. Non-compliance was disclosed and is material to the Statement of Claim.

II. Federal Award Examination

The USDA Child and Adult Care Food Program, CFDA number, 10.558, passed-through CDE's Nutrition Services Division is considered a major program as a result of II.3 below.

1. Internal Controls Over Major Programs:
 - a. One material weaknesses was disclosed in the examination of the federal award.
2. Two examination findings are reported in B.II, Findings and Questioned Costs, in accordance with OMB Circular A-133, Section 510(a).
3. XYZ Child Development, Inc. did not qualify as a low-risk auditee under OMB Circular A- 133, section 530.

XYZ Child Development, Inc.
Schedule of Findings, Questioned Costs and Recommendations
Year Ended June 30, 19X9

B. Findings and Questioned Costs:

I. Statement of Claim Examination

Questioned
Cost

Reportable Conditions

Finding X9-1

\$

Condition: Our test of the

We believe that this reportable condition is a material weakness. An adjustment of \$

was made to

Criteria: USDA regulation, ,

Cause: Lack of proper

Effect: \$

Recommendation: Implement procedures to

Response: Management

Finding X9-2

\$

Condition: Our test of ...

We do not believe that this reportable condition is a material weakness.

Criteria: USDA regulation, , states that

Cause: Lack of proper management oversight.

Effect: \$

Recommendation: Implement procedures to

Schedule of Findings, Questioned Costs and Recommendations

Year Ended June 30, 19X9

B. Findings and Questioned Costs (continued):

II. Federal Award Program Examination

Questioned Cost :

Finding X9-3 Eligibility

\$

Condition: During our review of the eligibility records of the ...

We believe that this condition is a material weakness and a financial adjustment of \$ _____ was necessary.

Criteria: USDA regulation, _____, states that

Cause: Inadequate

Effect: Population of _____, or _____. This represents \$_____.

Recommendation: Periodic reviews should be made of the center's attendance records to ensure proper eligibility records for the

Response: Management has implemented periodic review procedures for all key staff.

Finding X9-4

\$

Material Weakness

Condition: Our review of the ...

We believe that this condition is a material weakness. No financial adjustment was necessary.

Criteria: USDA regulation, _____, states that the sponsor

Cause:

Effect:

Recommendation: Implement improved

Response: Management has implemented improved

XYZ Child Development, Inc.
Schedule of Findings, Questioned Costs and Recommendations

Year Ended June 30, 19X9

C. Status of Prior Year Findings:

I. Statement of Claim Examination

Questioned
Cost :

Reportable Conditions

19X8 - Finding 1:

\$

Condition: Our inspection of the
We do not believe that this reportable condition is a material weakness.

Criteria: USDA regulation, ,

Cause: Lack of

Effect: A total of \$

Recommendation: Implement procedures to monitor

Response: The recommendation was implemented by management in November 19X8. No similar findings were noted in the 19X9 audit.

II. Major Federal Award Programs Examination

Material Weaknesses

19X8 – None

\$ None

XYZ Child Development, Inc.
Management Letter

Year Ended June 30, 19X9

Board of Directors
XYZ Child Development, Inc.

In planning and performing our examination of the statement of claims for reimbursement submitted by **XYZ Child Development, Inc.** under the Child and Adult Care Food Program (CACFP) (Sponsor Agreement No. xx-xxxx-x-F) as summarized in the Statement of Claim as of, and for the year ended, June 30, 19X9 , we considered its internal controls and affect on compliance in order to determine our examination procedures for the purpose of expressing our opinion on the aforementioned claims and to provide assurance on its accounting and management controls. However, we noted certain matters involving the internal controls of **XYZ Child Development, Inc.** and its operation that we considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants, and nonmaterial instances of noncompliance under criteria prescribed in the *Audit Guide for Audits of Child and Adult Care Food Program Institutions*, No. 27029-2, dated February 18, 1999, issued by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA) for examinations of this program. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design and operation of the internal accounting and management controls, that in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the statement of CACFP claims for reimbursement.

The nonmaterial instances of noncompliance and internal control weaknesses are described as follows:

1.

2.

The information contained in this report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Bean, Bean & Counter
Certified Public Accountants

September XX, 19X9

